NEW HAVEN MORTGAGE INCOME FUND (1) INC.

FINANCIAL STATEMENTS

NOVEMBER 30, 2009

STANLEY A. FROMSTEIN
CHARTERED ACCOUNTANT

STANLEY A. FROMSTEIN, C.A., C.F.E.
CHARTERED ACCOUNTANT

AUDITOR'S REPORT

To the Shareholders of
New Haven Mortgage Income Fund (1) Inc.

I have audited the balance sheet of New Haven Mortgage Income Fund (1) Inc. as at November 30, 2009 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at November 30, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Markham, Ontario
March 3, 2010

STANLEY A. FROMSTEIN
CHARTERED ACCOUNTANT
LICENSED PUBLIC ACCOUNTANT

325 Renfrew Drive, Suite 201, Markham, Ontario, L3R 9S8 Tel: 905-474-2634 Fax: 905-474-2665

NEW HAVEN MORTGAGE INCOME FUND (1) INC.
BALANCE SHEET
AS AT NOVEMBER 30, 2009

ASSETS

CURRENT	
Cash	$ 447,358
Term deposit	220,381
Interest receivable, note 4	13,048
Mortgage loans	1,589,712
	2,270,499
Organization costs, net of accumulated amortization of $3,462	31,156
	$ 2,301,655

LIABILITIES

CURRENT	
Accounts payable and accrued liabilities	$ 8,387
Due to associated company, note 5	34,518
Advances on purchase of preference shares, note 6	240,000
Preference shares, note 7	2,018,650
	2,301,555

SHAREHOLDERS' EQUITY

SHARE CAPITAL	
Common shares, note 8	100
RETAINED EARNINGS, per the accompanying statement	-
	100
	$ 2,301,655

APPROVED ON BEHALF OF THE BOARD:

____________________ Director

____________________ Director

The accompanying notes form an integral
part of these financial statements.

NEW HAVEN MORTGAGE INCOME FUND (1) INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED NOVEMBER 30, 2009

REVENUE	
Investment Income	**$ 86,651**
EXPENSES	
Accounting and legal fees	**6,000**
Amortization	**3,462**
Arrears interest and mortgagor's expenses	**632**
Bank charges	**352**
Dues and fees	**3,500**
Office and general	**1,161**
Mortgage administrator's fees	**30**
Mortgage manager's fees	**2,767**
Provision for mortgage impairment	**2,387**
	20,291
Earnings before dividends on redeemable shares	**66,360**
Dividends on redeemable shares, note 7	**66,360**
NET INCOME	**-**
BALANCE, end of the year	**$ -**

The accompanying notes form an integral
part of these financial statements.

NEW HAVEN MORTGAGE INCOME FUND (1) INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the year	**$ -**
Items not affecting cash	
Amortization	**3,462**
	3,462
Changes in non-cash working capital items	
Increase in interest receivable	**(13,048)**
Increase in accounts payable	**8,387**
Cash (used in)/from operating activities	**(1,199)**
FINANCING ACTIVITIES	
Increase in due to associated company	**34,518**
Special shares issued	**2,018,650**
Advances on special share purchases	**240,000**
Cash (used in)/from financing activities	**2,293,168**
INVESTING ACTIVITIES	
Increase in mortgage investments	**(1,589,712)**
Organizational costs	**(34,518)**
Cash (used in)/from investing activities	**(1,624,230)**
INCREASE IN CASH AND CASH EQUIVALENTS	**667,739**
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**-**
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$ 667,739**
CASH AND CASH EQUIVALENTS CONSISTS OF	
Cash in bank	**$ 447,358**
Term deposit	**220,381**
	$ 667,739

The accompanying notes form an integral
part of these financial statements.

1. SUMMARY OF SIGNIFICANT INFORMATION

The Company was incorporated on November 27, 2008 under the laws of the province of Ontario. Active operations began shortly thereafter.

New Haven Mortgage Income Fund (1) Inc. (the fund) is a mortgage investment corporation that is subject to special rules under the Income Tax Act that permit the fund to be operated, as a tax free flow through conduit of its net income to its shareholders. The income of the fund for purposes of the Income Tax Act includes interest earned and the taxable portion of any net realized capital gains. The Fund is permitted to deduct from its net income all taxable dividends paid to its shareholders.

There are risks faced by the fund because of the industry in which it operates. Real estate investment is subject to significant uncertainties due to, among other factors, to uncertain costs of construction, development and financing. Uncertainty is due to the ability to obtain required licenses, permits, approvals and fluctuating demand for developed real estate. The anticipated higher returns associated with the fund’s mortgage loans reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgage loans. Inherent in these loans are completion risks as well as financing risks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and as adjustments become necessary based on additional information as it becomes available, the adjustments may be reported in the period in which they become known to management.

b) Revenue Recognition

Operating revenue is recognized as earned when the following conditions are met:

-revenue is recognized on an accrual basis on interest income earned on investing in residential first and second mortgages
-there is clear evidence that an arrangement exists
-amounts are fixed or can be determined
-the ability to collect is reasonably assured

c) Mortgage Loans

Mortgage loans are stated at the amounts advanced less any principal repayments received. The investment goal is to make prudent investments in the first and second mortgages against real property located in Ontario. The mortgage banker will, on behalf of the Fund, originate, underwrite, adjudicate, service and administer each loan and the mortgage manager will provide advisory and management services. In considering a mortgage proposal the mortgage manager and banker adhere to strict investment and operating policies which include obtaining a credit application from all borrowers and obtaining an appraisal prepared by an accredited appraiser.

d) Income Taxes

The Company is a mortgage investment corporation pursuant to the provisions of the Income Tax Act, Section 130.1. It is permitted for income tax purposes to deduct from its income, dividends paid on its redeemable preferred shares during the year and within ninety days thereafter. Accordingly dividends have been classified as a deduction from earnings. Dividends paid by the Company are treated as interest income by the recipient.

e) Organization Costs

Organization costs are amortized on a straight line basis over a ten year estimated useful life.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) Overview

The Company is exposed to liquidity risk and market risk. The Company's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risk and the related exposure are consistent with its business objectives and risk tolerance.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

c) Market risk

Market risk is the risk that potential changes in economic conditions affect the lending of mortgage funds which will ultimately affect the Company's revenue.

4. INTEREST RECEIVABLE

Interest receivable is recognition of interest earned for the year ended November 30, 2009 but paid out in the next fiscal year. It is recognition of interest income earned but not yet received.

5. DUE TO ASSOCIATED CORPORATION

The Corporation has been advanced funds in the amount of $34,618 from P.O.A.F.G. Corporation which is controlled by David Vyner and Jason Vyner who are also common shareholder's of New Haven Mortgage Income Fund (1) Inc. These funds were used to pay for the organizational costs of this Corporation. This money was procured from a line of credit outstanding for P.O.A.F.G. Corporation and is repayable on demand. This payment can be repaid at anytime without notice of bonus. This credit facility bears interest at a rate of bank prime plus 3% per annum. Interest only payments shall be made to P.O.A.F.G. Corporation on the first day of each month while any principal remains outstanding. During the year no interest payments were made on this loan. As this is the first year of operations and both companies share the same management the interest will not be accrued until a time where management sees it fit.

New Haven Mortgage Corporation, exclusively on behalf of the fund originates, underwrites, adjudicates, services or arranges for third party servicing. It is known to the fund as the mortgage banker and is entitled to an annual fee equal to .15 of 1% of the total value of funds under management as of the last day of the month calculated on a monthly basis paid to the mortgage banker on the last day of each month.

New Haven Treasury Management Inc. exclusively on behalf of the fund provides custodian, advisory and management services. It is known to the fund as the mortgage manager and is entitled to an annual fee equal to .85 of 1% of the total value of funds under management as of the last day of each month calculated on a monthly basis and paid to the mortgage manager on the last day of each month. The mortgage manager will also be paid an annual performance fee equal to 50% of the net return earned by the Fund over and above 10% per annum of the paid up capital of the fund after all expenses including management and advisory service fees herein discussed.

Notwithstanding the above, the terms of both the Mortgage Servicing Agreement and the Management and Advisory Services Agreement provide that, at the sole and unfettered discretion of each of the mortgage banker and the mortgage manager, the entities may allocate the remuneration provided for these agreements between them at any time so long as the total renumeration paid to these companies does not exceed the 1% of funds under management.

During the year a total of $2,767 was paid to both the Mortgage Manager and Mortgage Banker which was well below the 1% threshold of funds under management which was $2,018,650.

6. ADVANCE ON PURCHASE OF PREFERENCE SHARES

During the year existing preferred shareholders advanced the Corporation a total of $240,000. Subsequent to the year end, these funds were used to purchase additional preferred shares.

7. PREFERENCE SHARES

Authorized

An unlimited number of Class A non-voting, participating, preference shares without nominal or par value which are redeemable after five years from the dates of issue.

These shares are non-voting except upon dissolution.

Issued

2,018,650 Class A preference shares classified as a current liability due to their redemption provisions.	$ 2,018,650

During the year, 2,018,650 preference shares were issued for cash consideration of $1 per share.

8. COMMON SHARES

Authorized

100 Common shares

Issued

100 Common shares	$ 100

During the year, 100 common shares were issued for cash consideration of $1 per share.